Video Overview Available

To view a recorded presentation of this report, please visit the Cville Plans Together YouTube page: www.youtube.com/watch?v=q9WdHe4BW_Q

City of Charlottesville

Inclusionary Zoning Analysis

August 2022

DRAFT

EXECUTIVE SUMMARY

The City of Charlottesville is creating an inclusionary zoning (IZ) policy to provide long-term affordable housing in the city. The Affordable Housing Plan (adopted March 2021) calls for the City to design an IZ policy that supports Charlottesville's housing needs through the creation of affordable housing that meets housing needs the market would not otherwise address.

Based on identified needs and development feasibility findings, the consultant team recommends an inclusionary policy that **requires affordable housing for any housing development that include more than ten units and offers incentives to any development with nine or less units that include affordable housing**.

Inclusionary Zoning Policy Components

REQUIREMENT

Affordability Level
60% of Area Median Income (AMI)

Requirement
10+ Unit: 10% of units affordable at level listed above

9 or less: Voluntary

Term
Permanent affordability, 99 Years

Quality
Affordable and market-rate units are to be of equal size and evenly distributed

GEOGRAPHY

All Residential Areas of Charlottesville

This will include General Residential, Medium and Higher Intensity Residential zones.

INCENTIVES

Density Bonus
10+ Unit: 25% density bonus

9 or less: 2-unit bonus in General Residential and 4-unit bonus in Medium Intensity zones

Parking Reduction
Up to 50%

Table of Contents

Cville Plans Together 4

What is Inclusionary Zoning (IZ)? 7

IZ Analysis: High Intensity Residential Areas 13
- Financial Feasibility
- Recommendations

IZ Analysis: General Residential and Medium Intensity Areas 32
- Financial Feasibility
- Rate of Change Analysis
- Recommendations

Appendix 51
- Charlottesville Area Median Income (AMI) and Housing Affordability

01

Cville Plans Together

CVILLE PLANS TOGETHER

HR&A, as part of a consultant team led by RHI, is working with the City to rewrite the existing zoning code to support housing affordability.

CHARLOTTESVILLE AFFORDABLE HOUSING PLAN
Adopted March 1, 2021

COMPREHENSIVE PLAN UPDATE
Adopted November 15, 2021

ZONING ORDINANCE REWRITE
Ongoing

CVILLE PLANS TOGETHER: ZONING ORDINANCE REWRITE

Various zoning tools, such as inclusionary zoning, are being evaluated by the consultant team to support the City's affordable housing goals.

CURRENT ZONING TOOLS FOR INCREASING HOUSING AFFORDABILITY

1. **Proffers** offered during rezoning process
2. **Conditions** attached to special use permits (SUPs)

NEW ZONING TOOLS FOR INCREASING HOUSING AFFORDABILITY

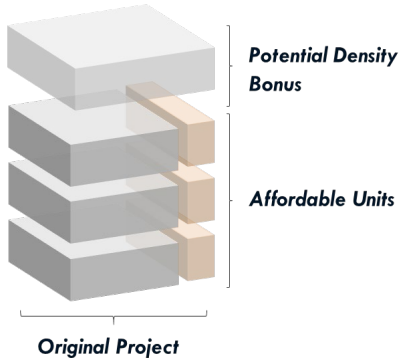
1. Allow more units on **every lot** zoned for only a single unit today
2. Allow **more rental and ownership** options
3. Identify and create **zoning incentives** for increasing affordability
4. Adopt an **inclusionary zoning policy**
5. Create a **toolkit to avoid displacing at-risk communities**

02

What is Inclusionary Zoning (IZ)?

WHAT IS INCLUSIONARY ZONING (IZ)?

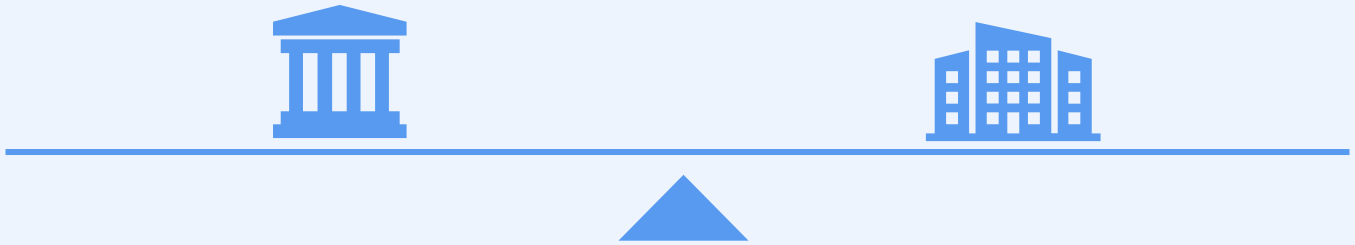
The goal of an inclusionary zoning policy is to support Charlottesville's housing needs through the creation of affordable housing that the market would not otherwise build.



- Inclusionary zoning policies **incentivize** developers to include affordable homes in market-rate developments, often in exchange for bonus density or tax abatements.
- Rents for affordable homes are set relative to the **Area Median Income (AMI)**, the household income for the median household in a region.

PUBLIC POLICY OBJECTIVES
Affordability Level
Number of Units

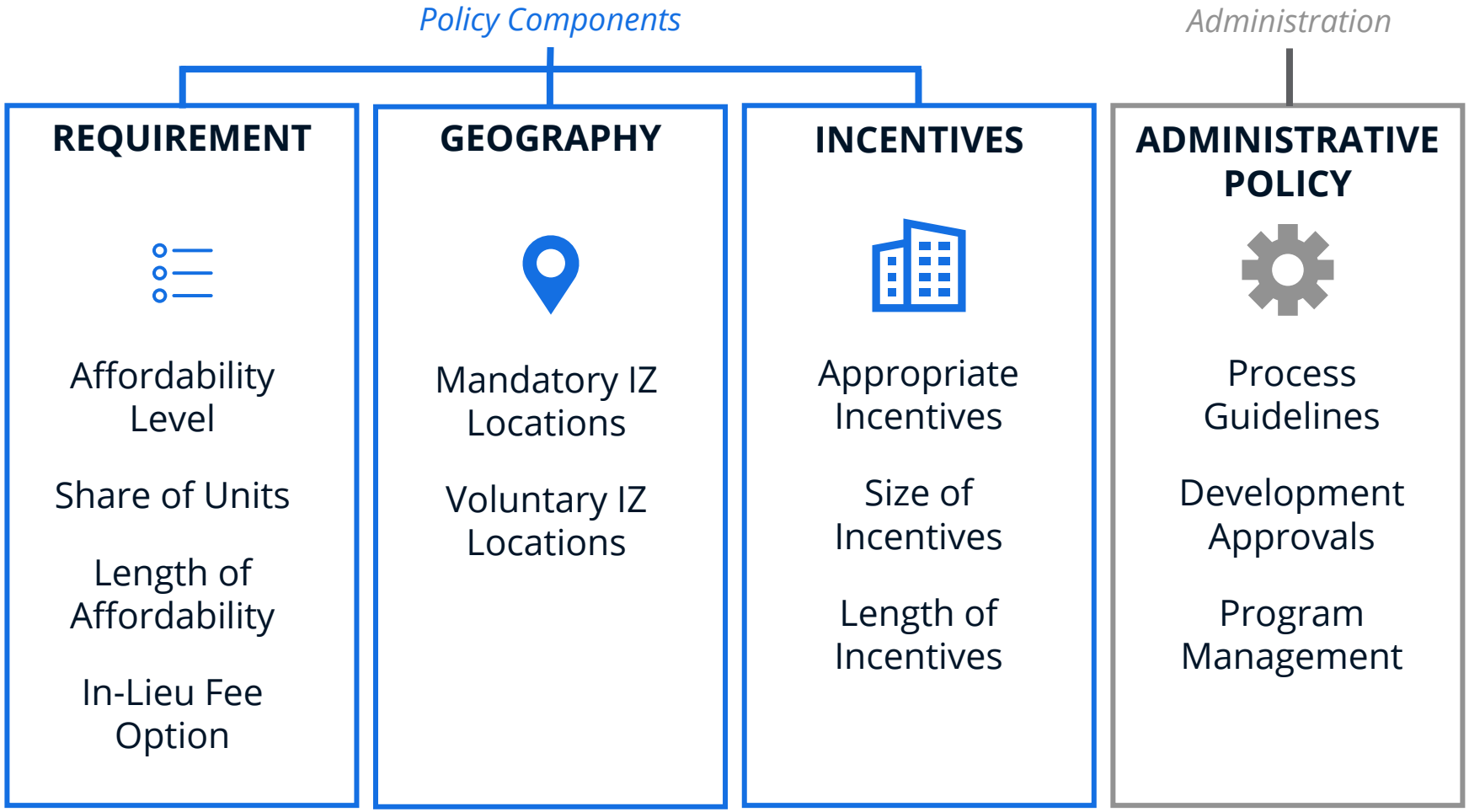
PROJECT FEASIBILITY
Highest and Best Use
Public Incentives



- The public policy goals set in an inclusionary zoning housing policy must balance public policy objectives and development feasibility.
- When public policy goals and real estate economics are misaligned, both are ultimately harmed.

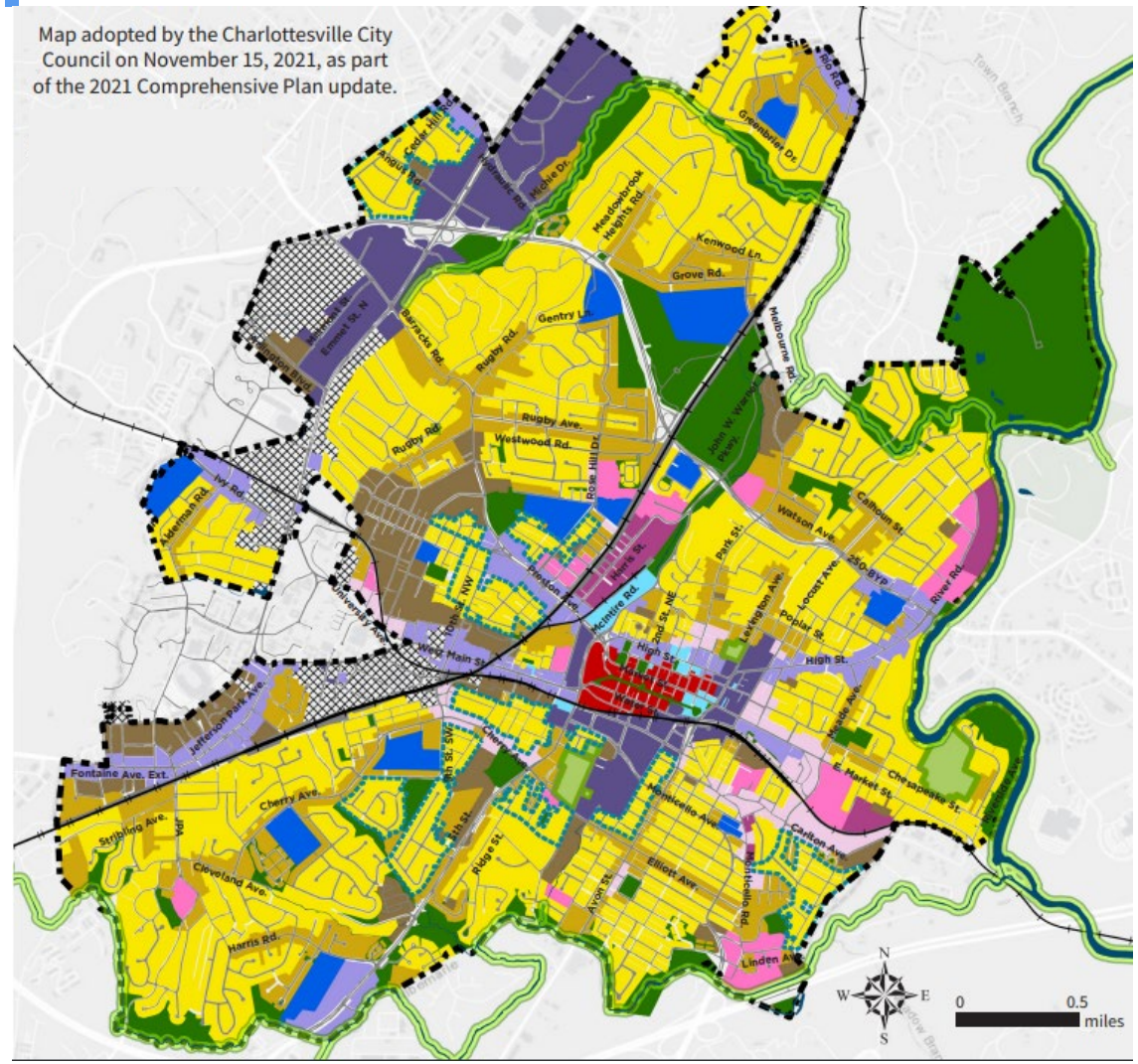
WHAT IS INCLUSIONARY ZONING (IZ)?

Components of an inclusionary zoning policy include affordability requirements, applicable geographies, incentives, and the administrative policy.



ZONING DISTRICTS

The team's inclusionary zoning analysis incorporates the City's Future Land Use Map (FLUM).



City of Charlottesville Future Land Use Map

RESIDENTIAL

Limited commercial uses allowed in all residential districts, to be further described in the Zoning Ordinance. Zoning tools will regulate affordability and maximum allowable development for all categories and will consider demolition disincentives, as feasible.

Description
General Residential: Allow for additional housing choice within existing residential neighborhoods throughout the city.
Medium Intensity Residential: Increase opportunities for housing development including affordable housing, along neighborhoods corridors, near community amenities, employment centers, and in neighborhoods that are traditionally less affordable.
Higher-Intensity Residential: Provide opportunities for higher density, multi-family focused development. Incentivize affordability and increased intensity to meet Affordable Housing Plan goals.

Click here to view the full Future Land Use Map (FLUM)

RESIDENTIAL DISTRICTS IN THE COMPREHENSIVE PLAN FUTURE LAND USE MAP

GENERAL RESIDENTIAL

Single-Family Detached Home

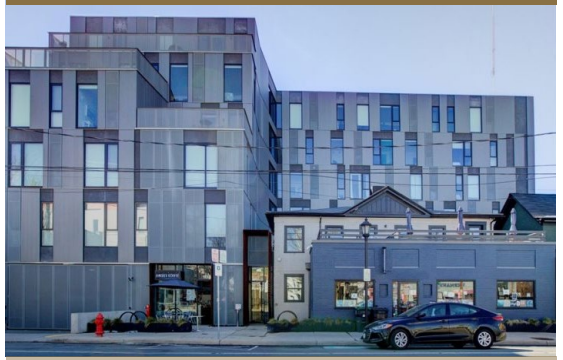
- **Form:** Compatible with surrounding 'house'-sized structures
- **Height:** Up to 3.5 stories; typically 2-2.5 stories
- **Uses:** Up to 3-unit buildings and ADUs; 4th unit allowed if existing structure is maintained
- **Bonus:** Allows for additional units and heights if affordable units included

MEDIUM INTENSITY RESIDENTIAL

Burnet Commons, Charlottesville

- **Form:** Compatible with surrounding 'house'-sized structures
- **Height:** Up to 4.5 stories; typically 3 stories
- **Uses:** 4– to 12-unit buildings (cottage courts, townhomes); 1-unit per lot
- **Bonus:** Allows for additional units and heights if affordable units included

HIGHER INTENSITY RESIDENTIAL



600 West Main, Charlottesville

- **Form:** Compatible with existing residential and neighborhood context; highest building heights.
- **Height:** Up to 5 stories
- **Uses:** 13-unit buildings or more
- **Bonus:** Allows for additional units and heights if affordable units included

RESIDENTIAL DISTRICTS: EXAMPLE DEVELOPMENT PROJECTS

GENERAL RESIDENTIAL

Single-Family Detached Home

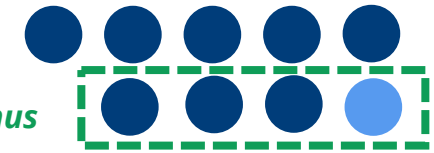
5-unit Voluntary Inclusionary Development

Density Bonus

MEDIUM INTENSITY RESIDENTIAL

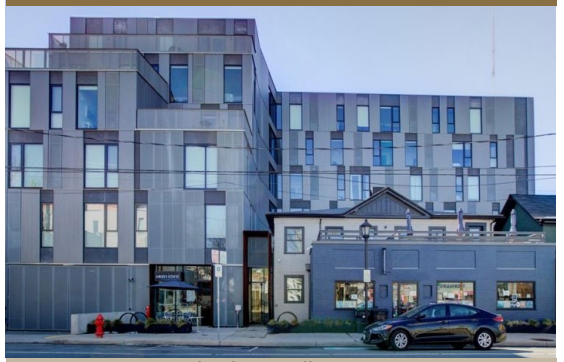
Burnet Commons, Charlottesville

9-unit Voluntary Inclusionary Development



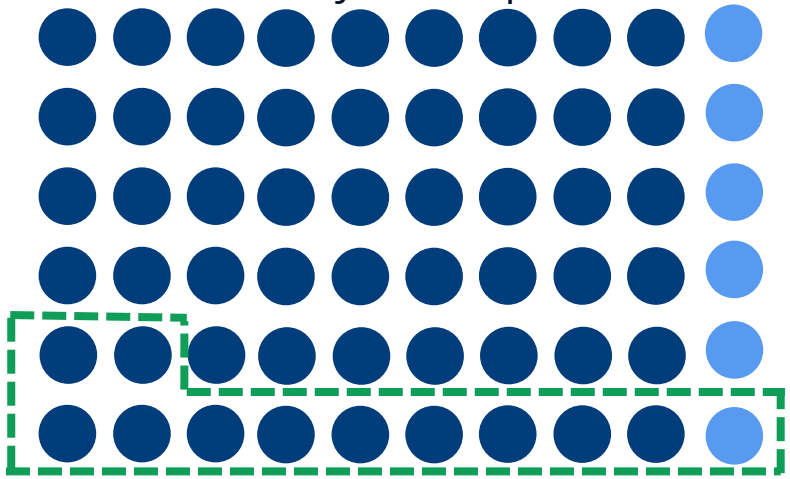
Density Bonus

HIGHER INTENSITY RESIDENTIAL



600 West Main, Charlottesville

60-unit Required Inclusionary Development

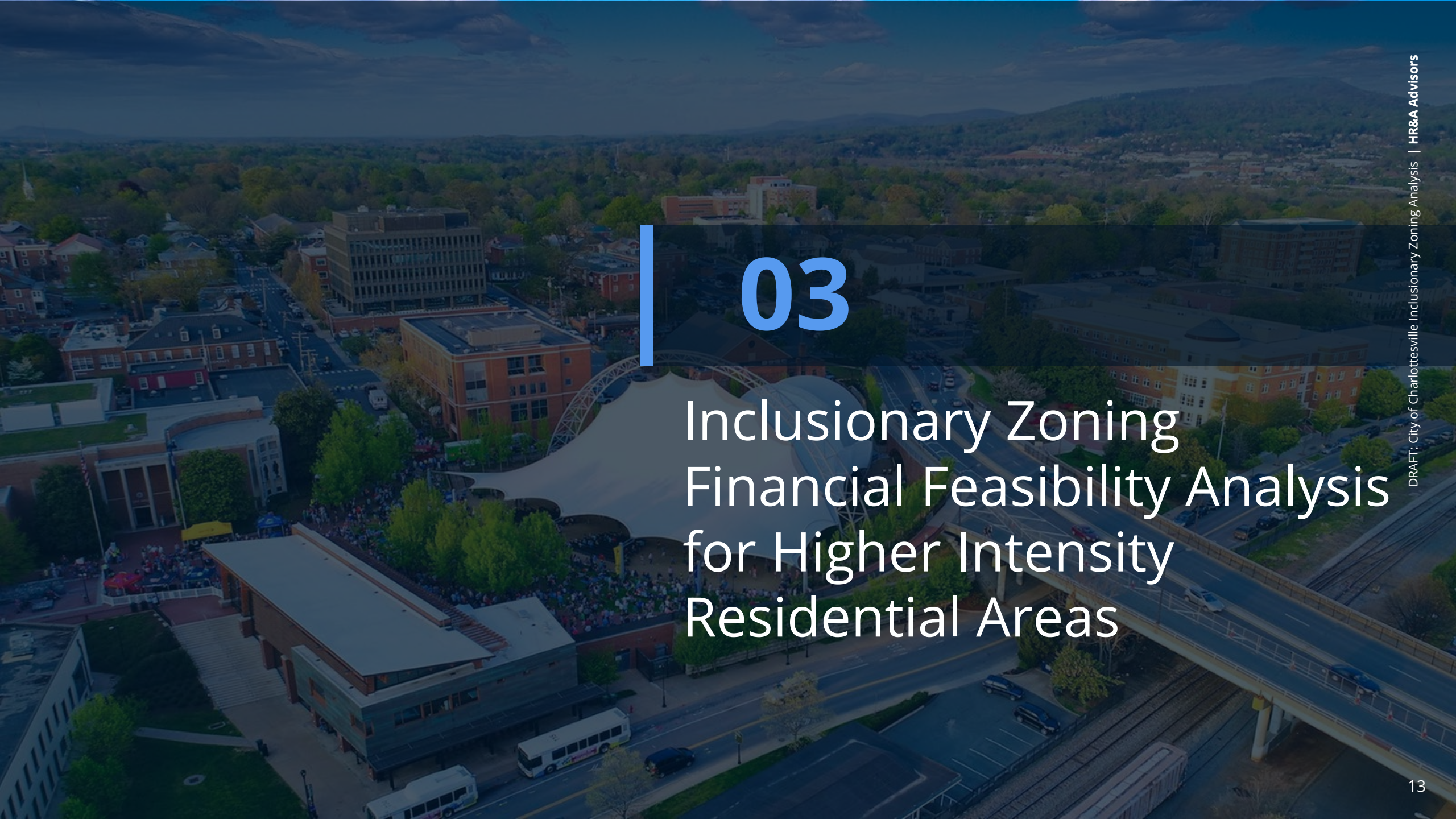


Density Bonus

Some sites may not be suitable to use the full bonus density but this analysis proposes that the entire bonus is "unlocked" once the affordable unit is provided.

Unit affordable at 60% AMI

Market Rate Unit



03

Inclusionary Zoning Financial Feasibility Analysis for Higher Intensity Residential Areas

ZONING DISTRICTS

Using four development typologies, the team modeled the feasibility of inclusionary zoning in Higher Intensity Residential areas.

HIGHER INTENSITY RESIDENTIAL

Mid-Rise New Construction (rental)

10th & Dairy, Charlottesville

Low-Rise New Construction (rental)

Sunrise Apartments, Charlottesville

Townhome New Construction (for-sale)

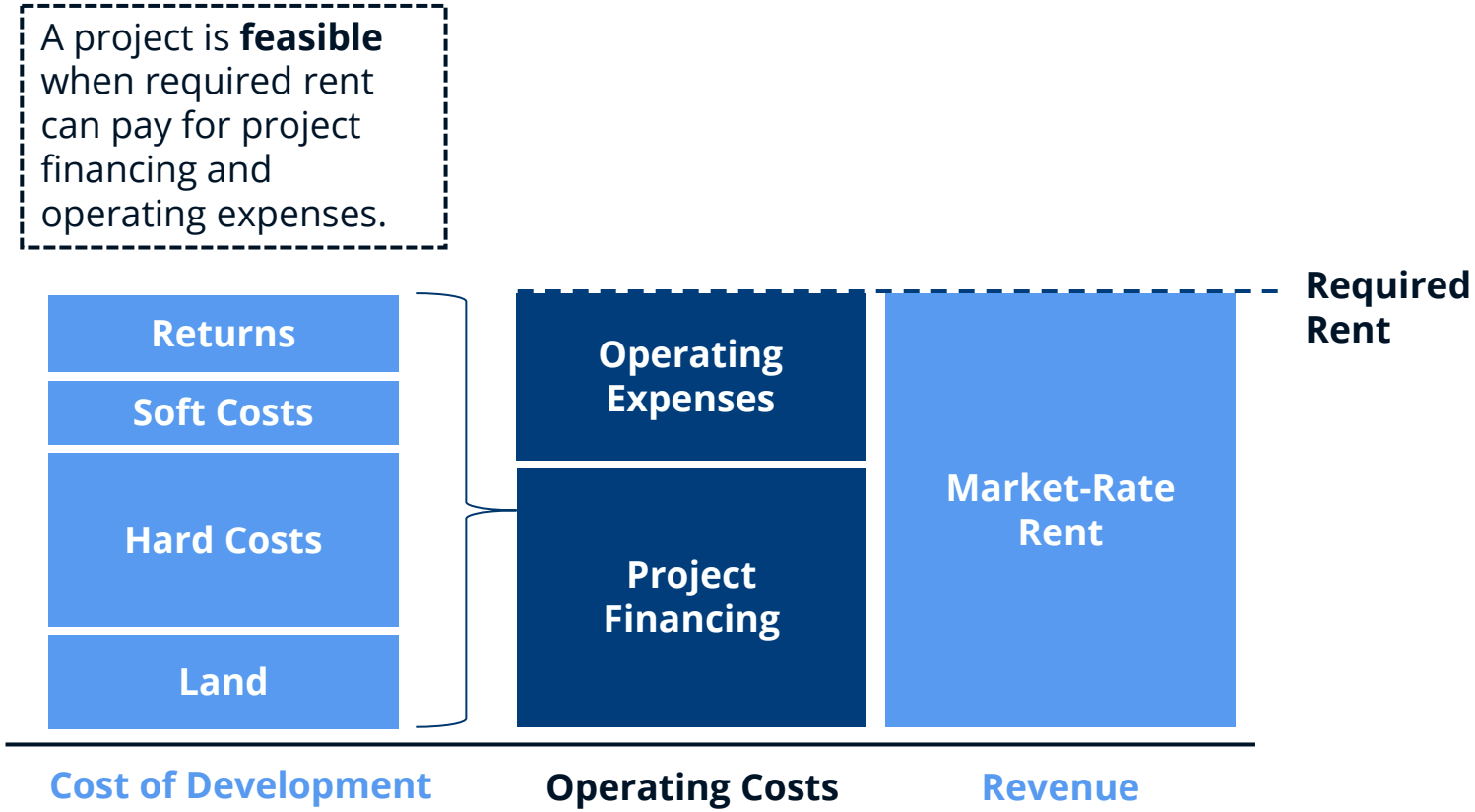
Belmont Station, Charlottesville

Low-Rise Rehab (rental)

One Hundred Avon, Charlottesville

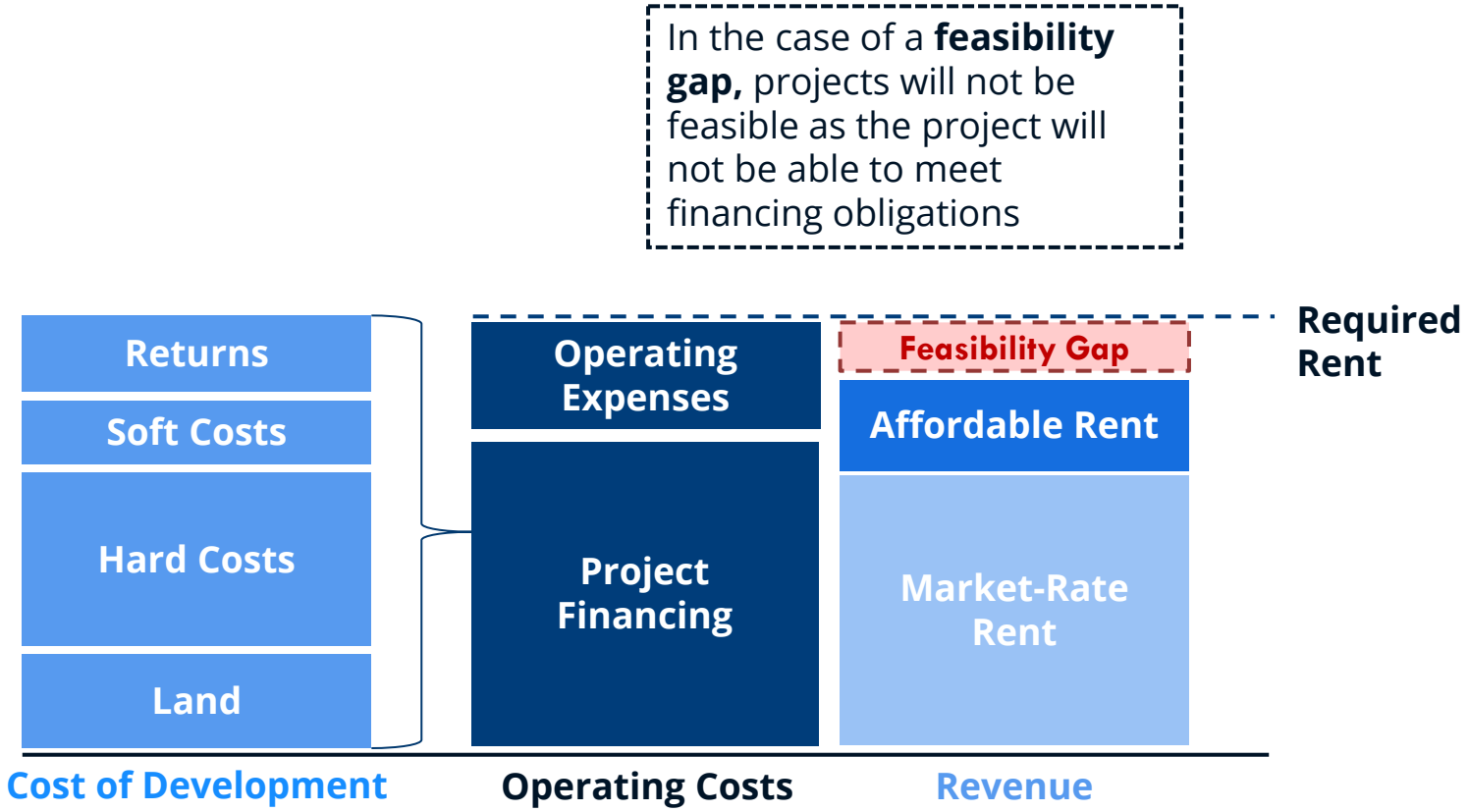
FINANCIAL FEASIBILITY ANALYSIS

The feasibility model evaluates an inclusionary zoning policy to ensure that reductions in revenue for property owners can be offset by incentives or other project value for the property owners.



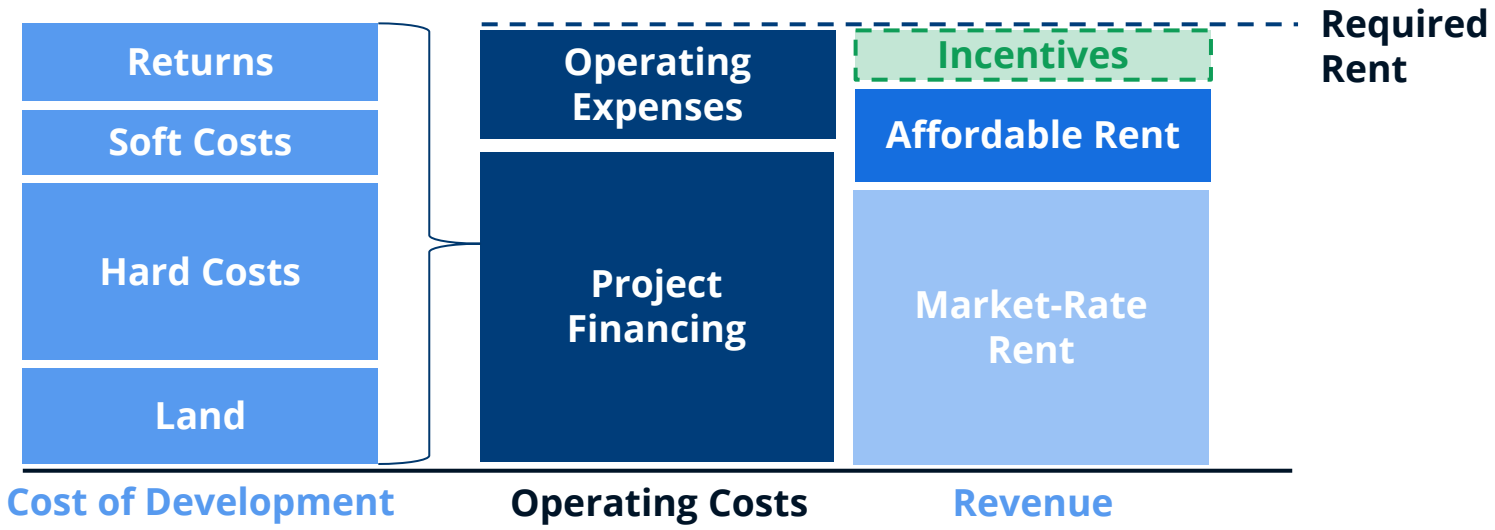
FINANCIAL FEASIBILITY ANALYSIS

With inclusionary zoning, there is a **gap** between affordable rents and those required to keep a project feasible.

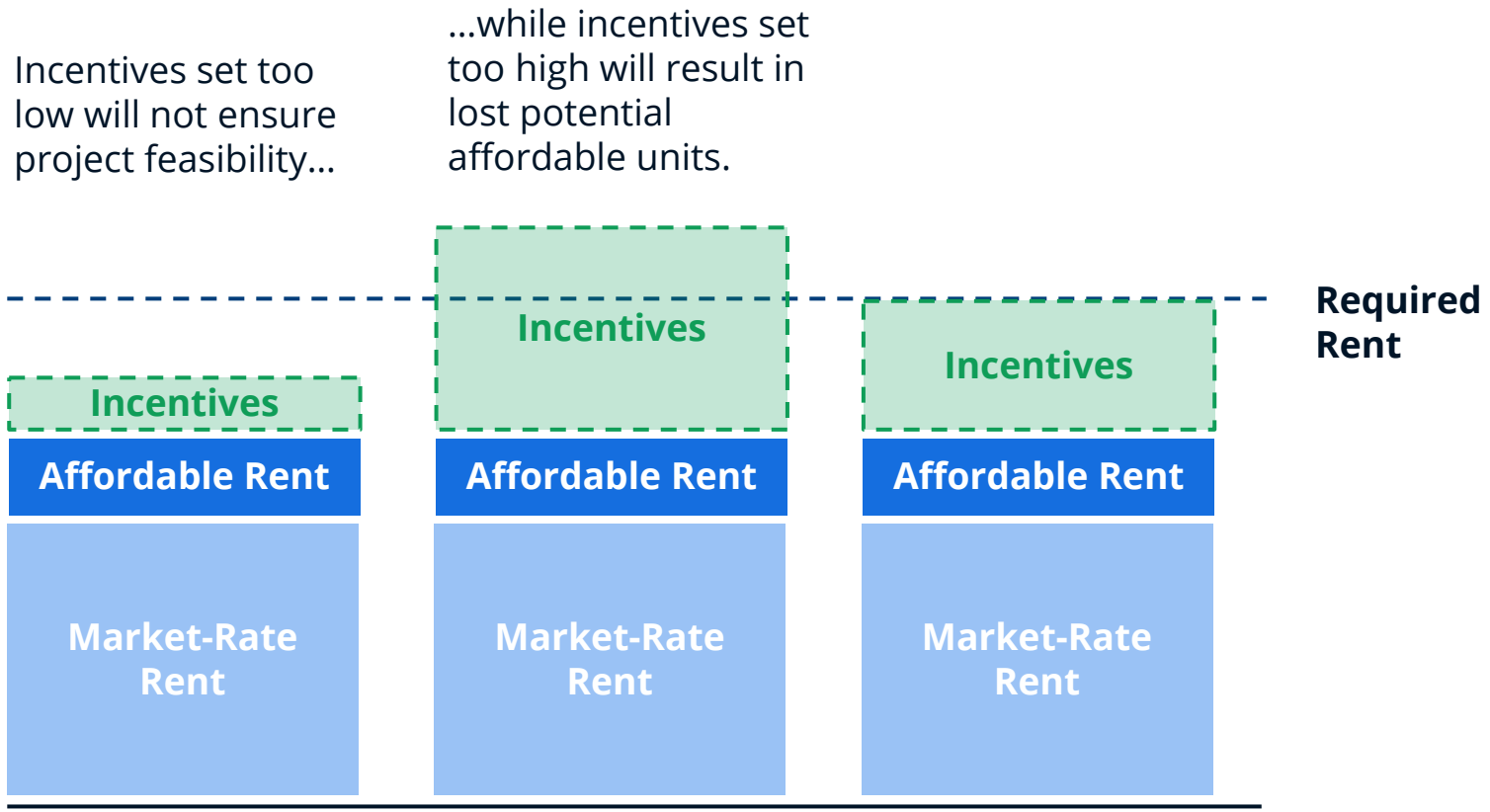


FINANCIAL FEASIBILITY ANALYSIS

The feasibility gap created by inclusionary zoning will need to be filled with **land use and subsidy incentives** to ensure projects remain feasible.

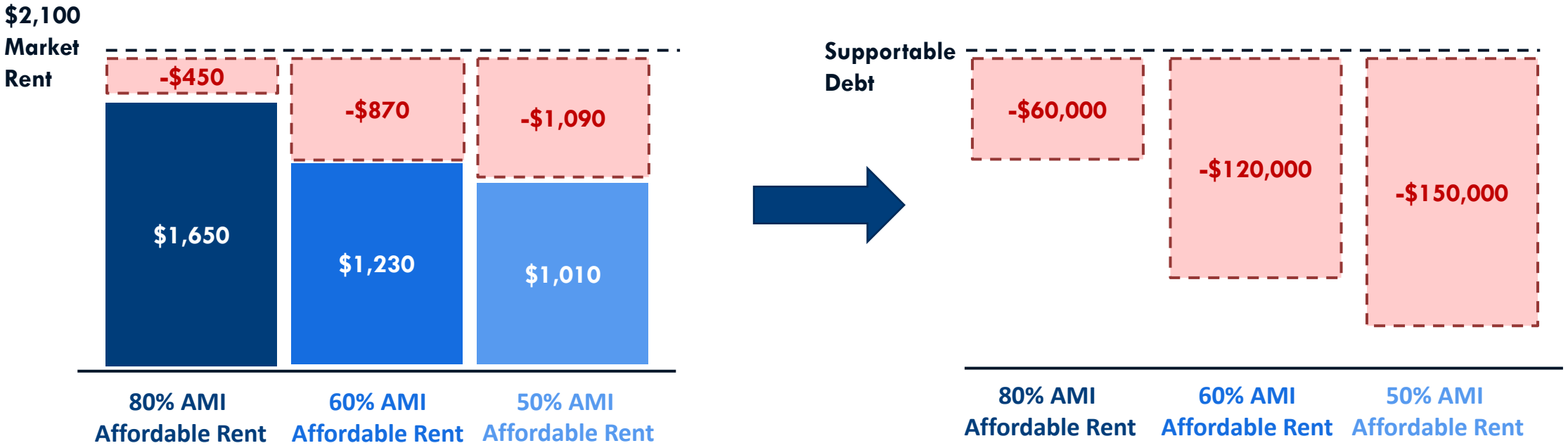


Inclusionary zoning incentives need to be properly calibrated to market conditions to ensure a **balance between use of public resources and development feasibility.**



TARGETING DEEPER AFFORDABILITY COSTS MORE

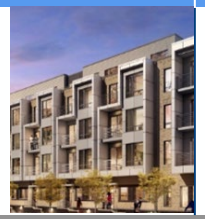
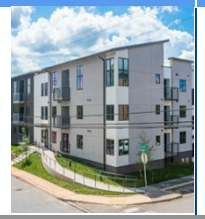
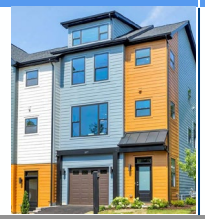
As additional affordable units are included in a project, the project income is reduced. As the project income is reduced, the project can support less debt to cover necessary development costs. Because operating costs for the project remain the same, increasing affordability (through rent reductions) has negative impact on supportable debt.



Sources: CBRE, CoStar, Zillow, HUD Rent and AMI Limits (2021)

KEY MODEL ASSUMPTIONS

For each development typology, the team sourced assumptions for modeling from recently delivered projects, local developers, and other third-party sources.

	Mid-Rise Apartment New Construction		Low-Rise Apartment New Construction		Townhome New Construction		Low-Rise Apartment Rehabilitation	
Units, Lot size	115 units		30 units		40 units		25 units	
Lot Size (acres)	1 acre		1 acre		4 acres		1 acre	
Stories	4 stories		3 stories		3 stories		3 stories	
Average Unit Size per Net SF	990 SF		935 SF		1,800 SF		1,160 SF	
Total Construction Costs	$220/Gross SF	$254,000/unit	$190/Gross SF	$205,000/unit	$150/Gross SF	$270,000/unit	$220/Gross SF	$298,000/unit
Land Costs	$10/SF		$10/SF		$8/SF		$10/SF	
Parking Type	Structured		Surface		Surface		Surface	
Parking Ratio	1.3x		1.0x		1.5x		1.3x	
Rent per SF	$2.75/SF		$2.30/SF		---		$2.30/SF	
Sales Price per SF	---		---		$240/SF		---	
Cap Rate	6.0%		6.0%		---		6.5%	
Benchmark Yield on Cost	7.0%		7.0%		---		7.5%	
Benchmark Equity Multiple	---		---		2.0x		---	
Unit Mix	Studio: 0% 1 BD: 45.0%	2 BD: 37.5% 3 BD: 17.5%	Studio: 10.0% 1 BD: 30.0%	2 BD: 60.0% 3 BD: 0%	1 BD: 0% 2 BD: 5.0%	3 BD: 70.0% 4 BD: 25.0%	Studio: 0% 1 BD: 25.0%	2 BD: 47.5% 3 BD: 27.5%

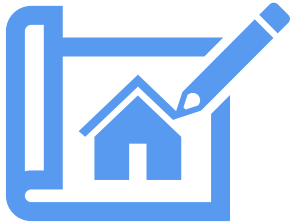
Sources: CBRE, CoStar, Zillow, HUD Rent and AMI Limits (2021)

INCLUSIONARY ZONING INCENTIVES FOR HIGHER INTENSITY RESIDENTIAL AREAS

The team reviewed five categories of possible incentives that the City could use to increase housing affordability.

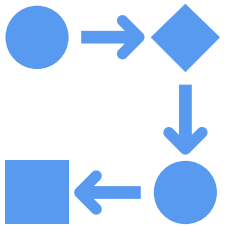
Development Intensity

Incentives which increase the number of housing units allowed



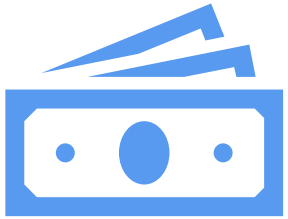
Design and Development Standards

Incentives that change development requirements, such as parking and building standards



Approval Processes

Incentives that expedite development review or allow by-right development



Tax and Fee Abatement/ Redirection

Incentives that change the fees which are levied by the City

Negotiated Infrastructure Improvements

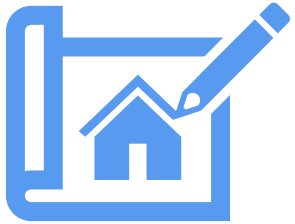
Incentives that change capital improvement/ horizontal development costs

INCLUSIONARY ZONING INCENTIVES FOR HIGHER INTENSITY RESIDENTIAL AREAS

Based on conversations with the City, HR&A incorporated development intensity and design standards incentives to support the production of affordable units.

Development Intensity

- Increasing unit density
- Increasing maximum building heights
- Decreasing minimum lot sizes



Design and Development Standards

- Reducing parking minimums

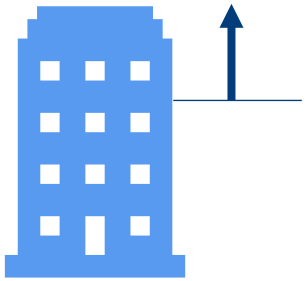
Approval Processes

Tax and Fee Abatement/ Redirection

Negotiated Infrastructure Improvements

SELECTED ZONING INCENTIVES IN FINANCIAL FEASIBILITY MODEL

The team incorporated density bonuses and reductions to parking minimums in the financial feasibility analysis.



Increased Building Heights

- For multifamily products, the team increased the building heights allowed, but capped the increase based on construction feasibility for wood-frame products at 5 stories
- For mid-rise apartments, this increase resulted in a 25% increase in units (4 to 5 story building)
- For low-rise apartments, this increase resulted in a 33% increase in units (3 to 4 story building)

Decrease Lot Sizes

- For townhome products, the team decreased townhome lot sizes by 20% to allow for additional units
- This resulted in a decrease in lot size per townhome from 0.1 acres/unit to 0.08 acres/unit (4,400 sf/lot to 3,500 sf/lot)

Reduced Parking Minimum

- For multifamily products, HR&A decreased the required parking ratios for each product type by 10% - 50%
- HR&A also modeled a parking scenario in which parking minimums were eliminated
- This parking incentive was not applied to townhome products

FINANCIAL FEASIBILITY ANALYSIS: EVALUATION CRITERIA

Our financial feasibility analysis evaluates the financial performance of each development typology and affordability scenario.

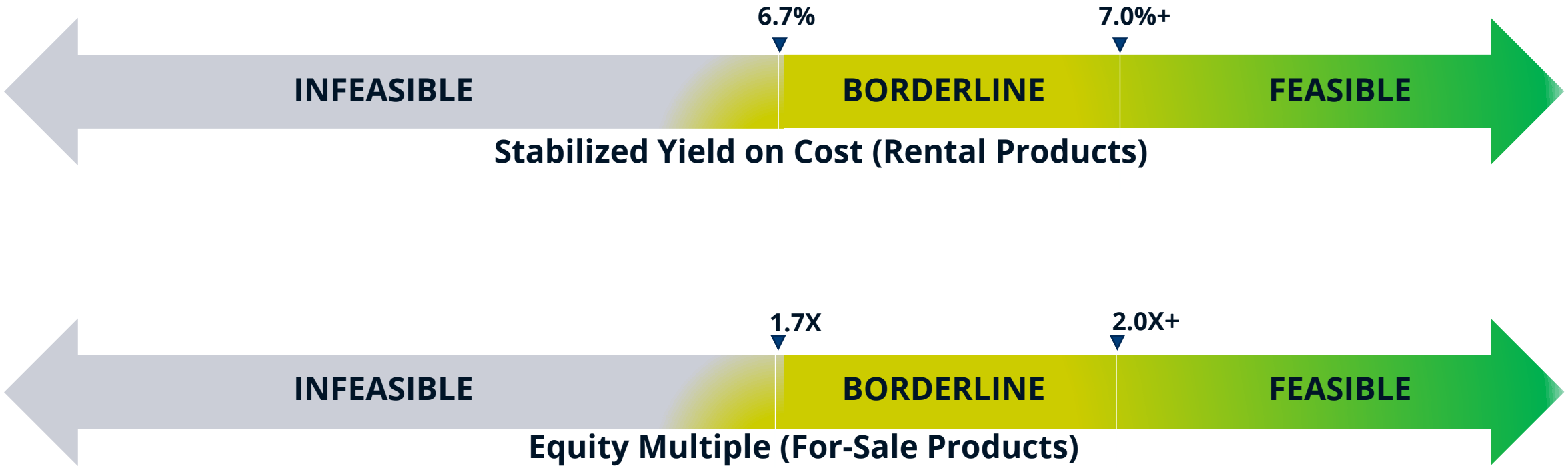
We modeled the same two metrics developers use when determining what to build: yield on cost and equity multiple.

- **Yield on cost** is a measure of the income that a rental property will produce compared to the cost to build the property (developers in Charlottesville are typically looking for 7% yield on cost for rental properties in recent years.

- **Equity multiple** is a measure of how much a developer could make, when they sell condos or townhomes, compared to their cost to build the homes (developers in Charlottesville are typically looking for 2.0X equity multiple on for-sale).

FINANCIAL FEASIBILITY ANALYSIS: EVALUATION CRITERIA

The team set the criteria for financial feasibility based on the following:



BASELINE SCENARIO

We analyzed what level of affordability would be feasible across each building type, **without any subsidy or incentives,** based on the required yield on cost and equity multiple that typical for-profit developers need to build.

Affordability	Mid-Rise New Construction	Low-Rise New Construction	Townhome New Construction	Low-Rise Rehabilitation
All Market Rate No Affordable Units	Feasible	Borderline	Feasible	Infeasible
10% Affordable units @60% Area Median Income	Borderline	Infeasible	Borderline	Infeasible
15% Affordable units @60% Area Median Income	Infeasible	Infeasible	Infeasible	Infeasible
8% Affordable units @50% Area Median Income	Borderline	Infeasible	Borderline	Infeasible
10% Affordable units @50% Area Median Income	Infeasible	Infeasible	Borderline	Infeasible
8% Affordable units @30% Area Median Income	Infeasible	Infeasible	Borderline	Infeasible

Area Median Income (AMI) information can be found in the Appendix (page 52)

INCREASE DEVELOPMENT DENSITY

Increasing multifamily building heights **by one story (25-33%)** and decreasing lot sizes for single-family **by 20%** results in a slight increase in financial performance for all product types.

Affordability	Mid-Rise New Construction	Low-Rise New Construction	Townhome New Construction	Low-Rise Rehabilitation
All Market Rate No Affordable Units	Feasible	Borderline	Feasible	Infeasible
10% Affordable units @60% Area Median Income	Borderline	Infeasible	Borderline	Infeasible
15% Affordable units @60% Area Median Income	Infeasible	Infeasible	Infeasible	Infeasible
8% Affordable units @50% Area Median Income	Borderline	Infeasible	Borderline	Infeasible
10% Affordable units @50% Area Median Income	Borderline	Infeasible	Borderline	Infeasible
8% Affordable units @30% Area Median Income	Infeasible	Infeasible	Borderline	Infeasible

Area Median Income (AMI) information can be found in the Appendix (page 52)

PARKING MINIMUM REDUCTION OF 25%

Reducing parking minimums for multifamily developments **by 25%** could allow for mid-rise multifamily projects to support **10% of units at the 60% AMI level.**

Affordability	Mid-Rise New Construction	Low-Rise New Construction	Townhome New Construction	Low-Rise Rehabilitation
10% Affordable units @60% Area Median Income	Feasible	Infeasible	---	Infeasible
15% Affordable units @60% Area Median Income	Infeasible	Infeasible	---	Infeasible
8% Affordable units @50% Area Median Income	Borderline	Infeasible	---	Infeasible
10% Affordable units @50% Area Median Income	Borderline	Infeasible	---	Infeasible
8% Affordable units @30% Area Median Income	Borderline	Infeasible	---	Infeasible

Area Median Income (AMI) information can be found in the Appendix (page 52)

PARKING MINIMUM REDUCTION OF 50%

By **reducing parking minimums by 50%**, mid-rise apartments could support the deepest affordability levels. However, this may impact market rents and limit the benefit of the reduced cost.

Affordability	Mid-Rise New Construction	Low-Rise New Construction	Townhome New Construction	Low-Rise Rehabilitation
10% Affordable units @60% Area Median Income	Feasible	Borderline	---	Infeasible
15% Affordable units @60% Area Median Income	Borderline	Infeasible	---	Infeasible
8% Affordable units @50% Area Median Income	Feasible	Infeasible	---	Infeasible
10% Affordable units @50% Area Median Income	Feasible	Infeasible	---	Infeasible
8% Affordable units @30% Area Median Income	Borderline	Infeasible	---	Infeasible

Area Median Income (AMI) information can be found in the Appendix (page 52)

COMBINING DENSITY AND PARKING INCENTIVES

Reducing parking minimums **by 25%** and increasing allowable building heights **by 25%** and decreasing lot sizes for single-family **by 20%** allows for increase in affordable units in mid-rise, low-rise and townhome developments.

Affordability	Mid-Rise New Construction	Low-Rise New Construction	Townhome New Construction	Low-Rise Rehabilitation
10% Affordable units @60% Area Median Income	Feasible	Borderline	Feasible	Infeasible
15% Affordable units @60% Area Median Income	Infeasible	Infeasible	Infeasible	Infeasible
8% Affordable units @50% Area Median Income	Borderline	Infeasible	Borderline	Infeasible
10% Affordable units @50% Area Median Income	Borderline	Infeasible	Borderline	Infeasible
8% Affordable units @30% Area Median Income	Infeasible	Infeasible	Borderline	Infeasible

Area Median Income (AMI) information can be found in the Appendix (page 52)

SUMMARY OF RECOMMENDATIONS

The City of Charlottesville is creating an inclusionary zoning (IZ) policy to provide long-term affordable housing in the city. The Affordable Housing Plan (adopted March 2021) calls for the City to design an IZ policy that supports Charlottesville's housing needs through the creation of affordable housing that meets housing needs the market would not otherwise address.

Based on identified needs and development feasibility findings, the consultant team recommends an inclusionary policy that **requires affordable housing for any housing development that includes more than ten units and offers incentives to any development with nine or less units that includes affordable housing**.

Inclusionary Zoning Policy Components

REQUIREMENT

Affordability Level
60% of Area Median Income (AMI)

Requirement
10+ Unit: 10% of units

9 or less: Voluntary

Term
Permanent affordability, 99 Years

Quality
Affordable and market-rate units are to be of equal size and evenly distributed

GEOGRAPHY

All Residential Areas of Charlottesville

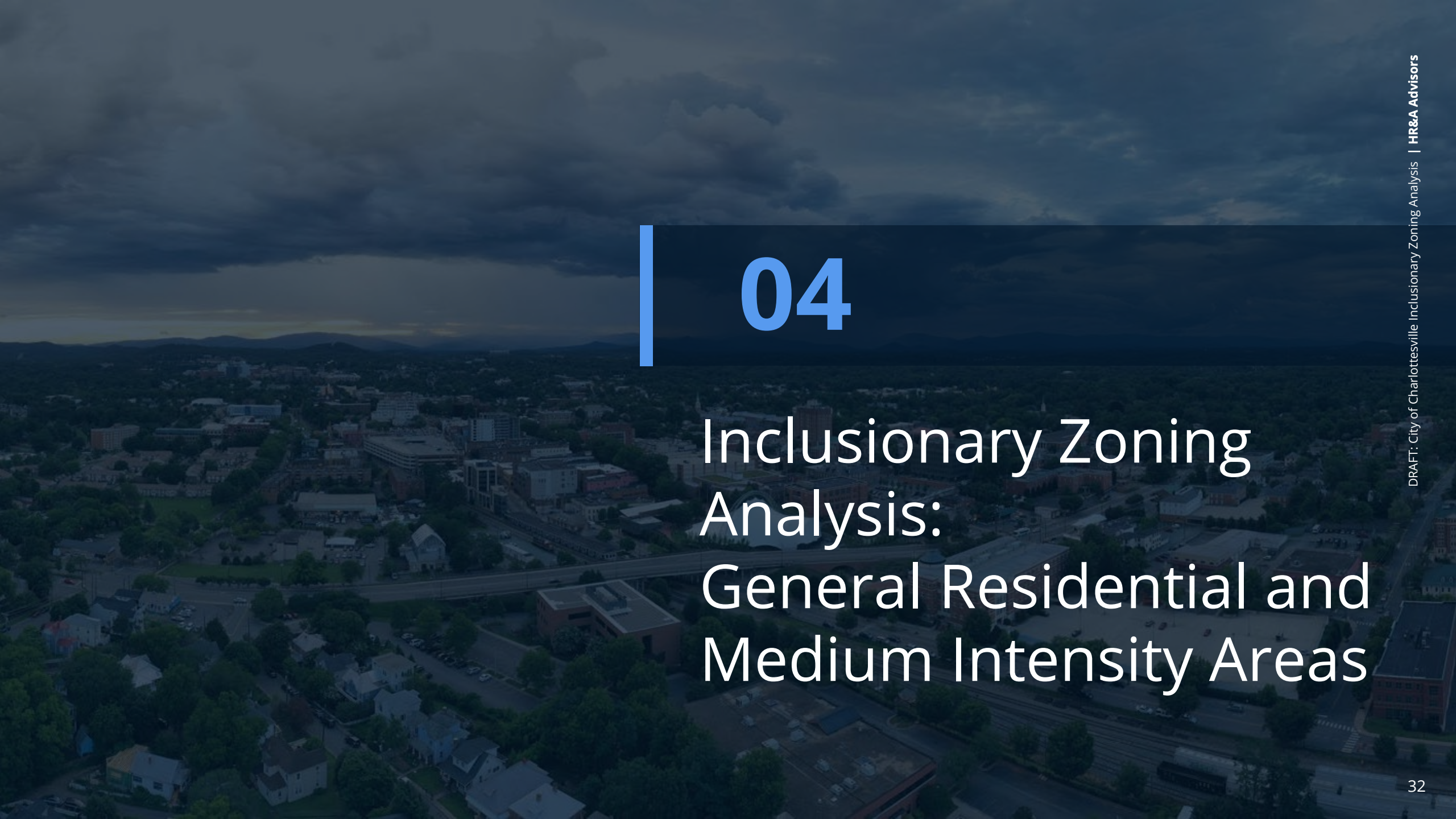
This will include General Residential, Medium, and Higher Intensity Residential zones.

INCENTIVES

Density Bonus
10+ Unit: 25% density bonus

9 or less: 2-unit bonus in General Residential and 4-unit bonus in Medium Intensity zones

Parking Reduction
Up to 50%



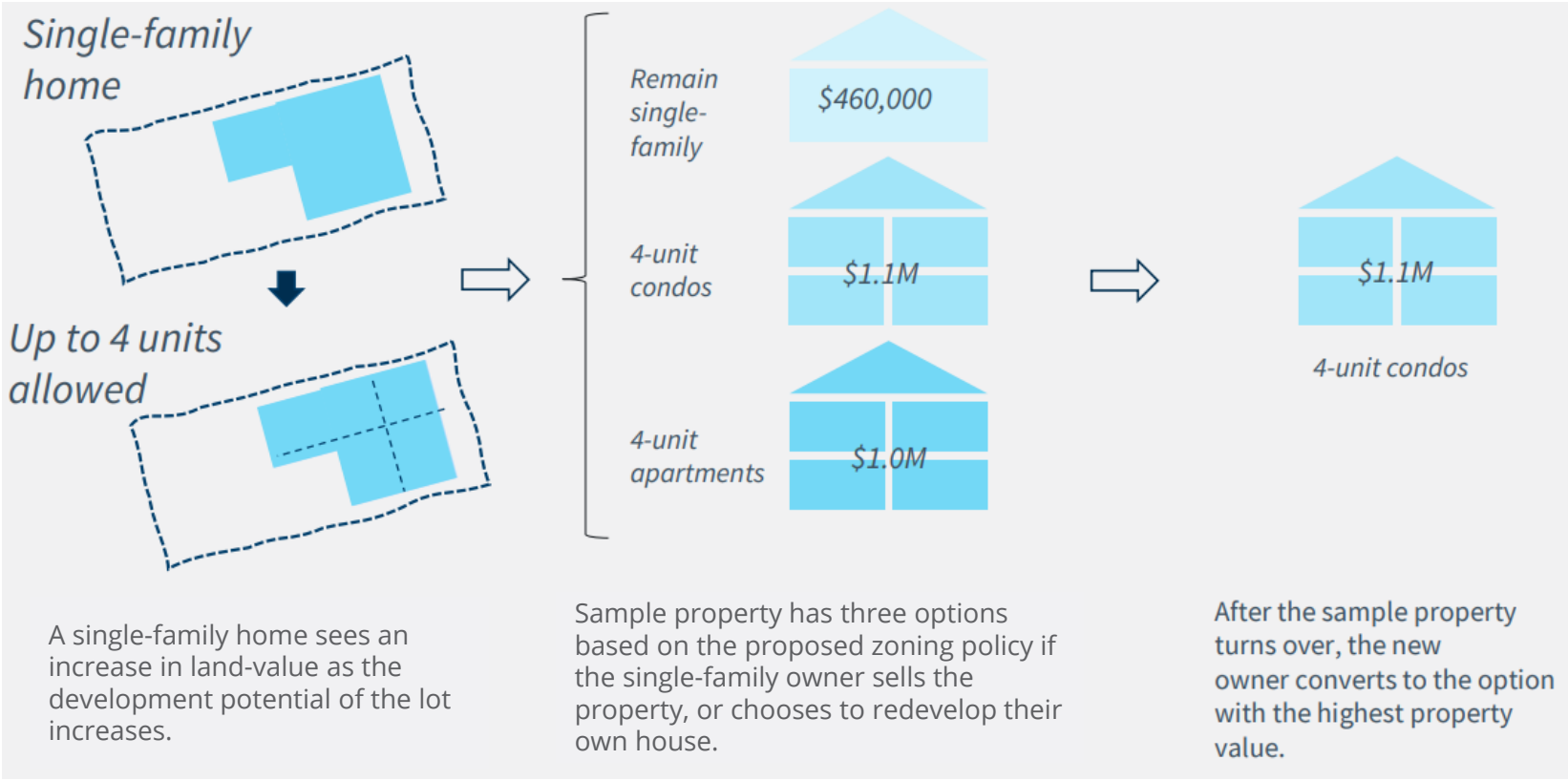
04

Inclusionary Zoning Analysis: General Residential and Medium Intensity Areas

IZ ANALYSIS FOR GENERAL RESIDENTIAL AND MEDIUM INTENSITY AREAS

The analysis provides an understanding of how **quickly change is expected to occur based on various market factors** and the **number of new residential units that are likely to be produced** with proposed zoning changes.

EXAMPLE



A single-family home sees an increase in land-value as the development potential of the lot increases.

Sample property has three options based on the proposed zoning policy if the single-family owner sells the property, or chooses to redevelop their own house.

After the sample property turns over, the new owner converts to the option with the highest property value.

Addressing and reducing the potential displacement of vulnerable residents, especially in sensitive community areas, is critical to our team's zoning ordinance rewrite. Please see page 27-29 in the Comprehensive Plan for more information.

RATE OF EXPECTED CHANGE ANALYSIS

- The estimated rate of change is based on a simplified model of parcels within the study area. For the purposes of this analysis, the study area includes only those identified in the Comprehensive Plan Future Land Use Map (FLUM) as **general residential and medium intensity residential**.

- The team recognizes that this analysis only covers a subset of properties in Charlottesville (10,155 parcels out of ~15,000 parcels city-wide). Much of the city's affordable housing need will be met through development on the other parcels that allow for greater density (including multifamily).

- There may be special considerations in Sensitive Community Areas, subject to the City's determination of the boundaries of these areas. Please see page 27-29 in the Comprehensive Plan for more information.

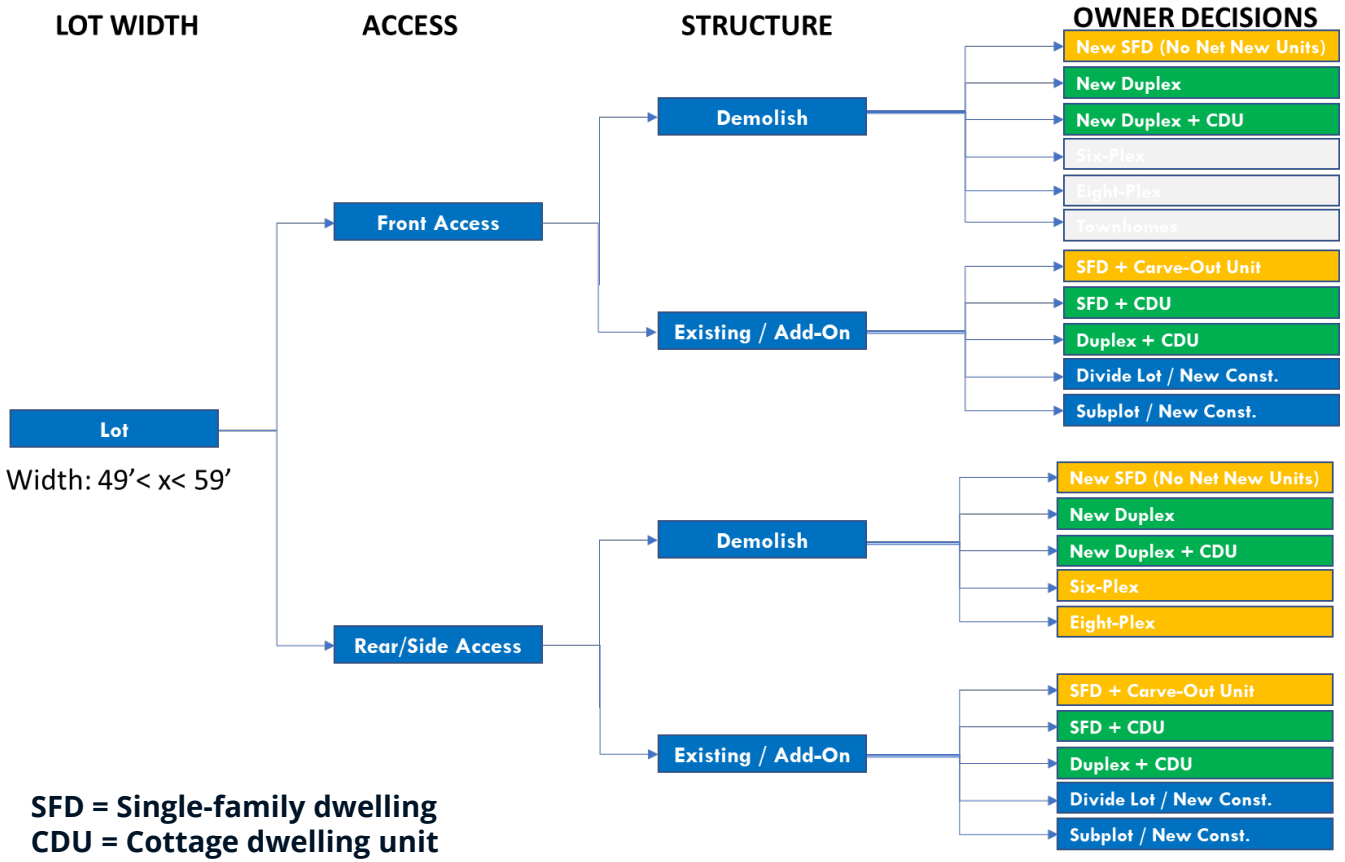
RATE OF EXPECTED CHANGE ANALYSIS

For each parcel, the team used decision trees to model owners' decisions in response to changes in zoning and market.

Analysis steps include:

- **Review existing parcel level data from the City's Future Land Use Map (FLUM)** and confirm requirements for eligible properties to be able to accommodate additional housing units on site.
- **Model parcel data, market factors, and production estimates** based on owner/ developer financial risk and tolerance.
- **Establish market and development assumptions** for prototypical new development typologies and **assess the total housing capacity on each parcel.**
- **Project the expected level of new housing production.**

SAMPLE DECISION TREE

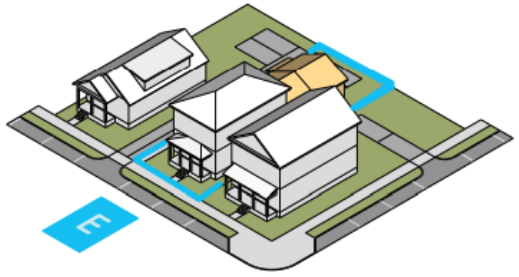


SFD = Single-family dwelling
CDU = Cottage dwelling unit

DEVELOPMENT TYPOLOGIES

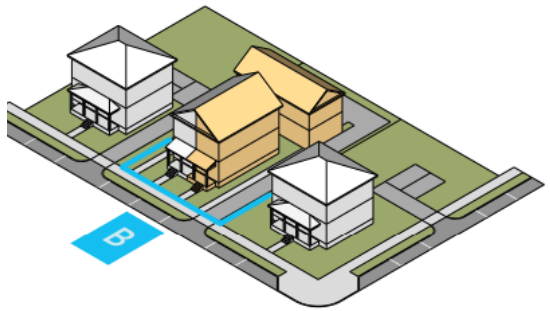
The analysis incorporates various conversion and new construction housing typologies which could be developed on each parcel based on lot widths and alley access.

SAMPLE SITE CONVERSIONS



ATTACHED COTTAGE

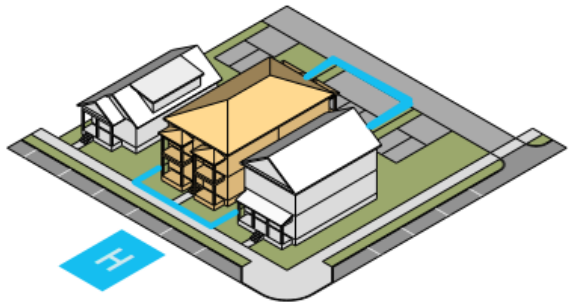
Vehicle Access: Front



DUPLEX CONVERSION + CARRIAGE HOUSE

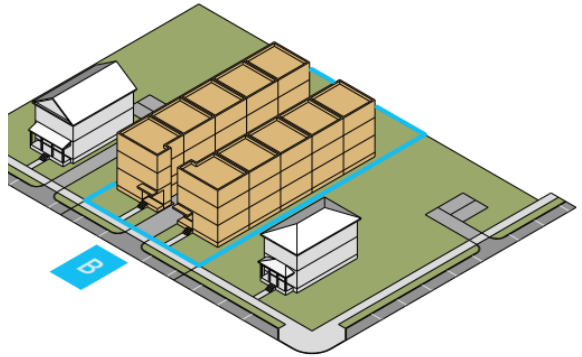
Vehicle Access: Front

SAMPLE NEW CONSTRUCTION



EIGHT-PLEX

Vehicle Access: Rear



TOWNHOUSE COURT (AUTO COURT)

Vehicle Access: Front

MODEL ASSUMPTIONS

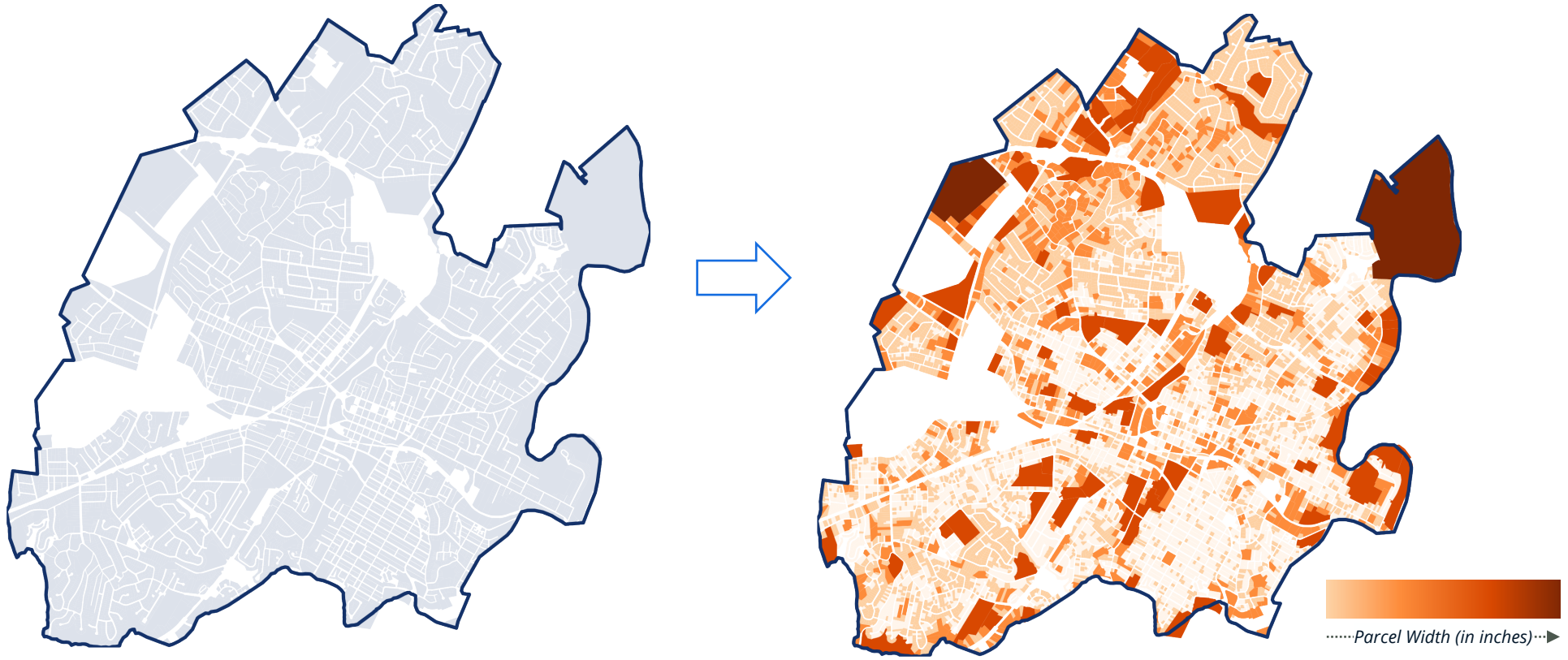
For the rate of expected change model, the team sourced assumptions from local developers and other third-party sources for several development typologies.

	New Single Family	New Duplex	New Duplex + Cottage Dwelling Unit (CDU)	Six-Plex	Eight-Plex	Townhomes
Demolition Costs	$10/SF	$10/SF	$10/SF	$10/SF	$10/SF	$10/SF
Building SF	2,500 SF	3,500 SF	4,400 SF	5,000 SF	7,500 SF	1,800 SF (per unit)
Hard Construction Costs	$150/SF	$150/SF	$150/SF	$175/SF	$175/SF	$150/SF
Soft Costs	$30/SF	$30/SF	$30/SF	$35/SF	$35/SF	$30/SF
Rent Price	$1.30/SF	$1.40/SF	$1.75/SF	$1.60/SF	$1.60/SF	$1.60/SF
Sales Price	$240/SF	$260/SF	$325/SF	$240/SF	$240/SF	$250/SF
Cap Rate	5%	5%	5%	5%	5%	5%
Return on Cost	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
Real Estate Commission Rate	3%	3%	3%	3%	3%	3%

Sources: CBRE, CoStar, Zillow

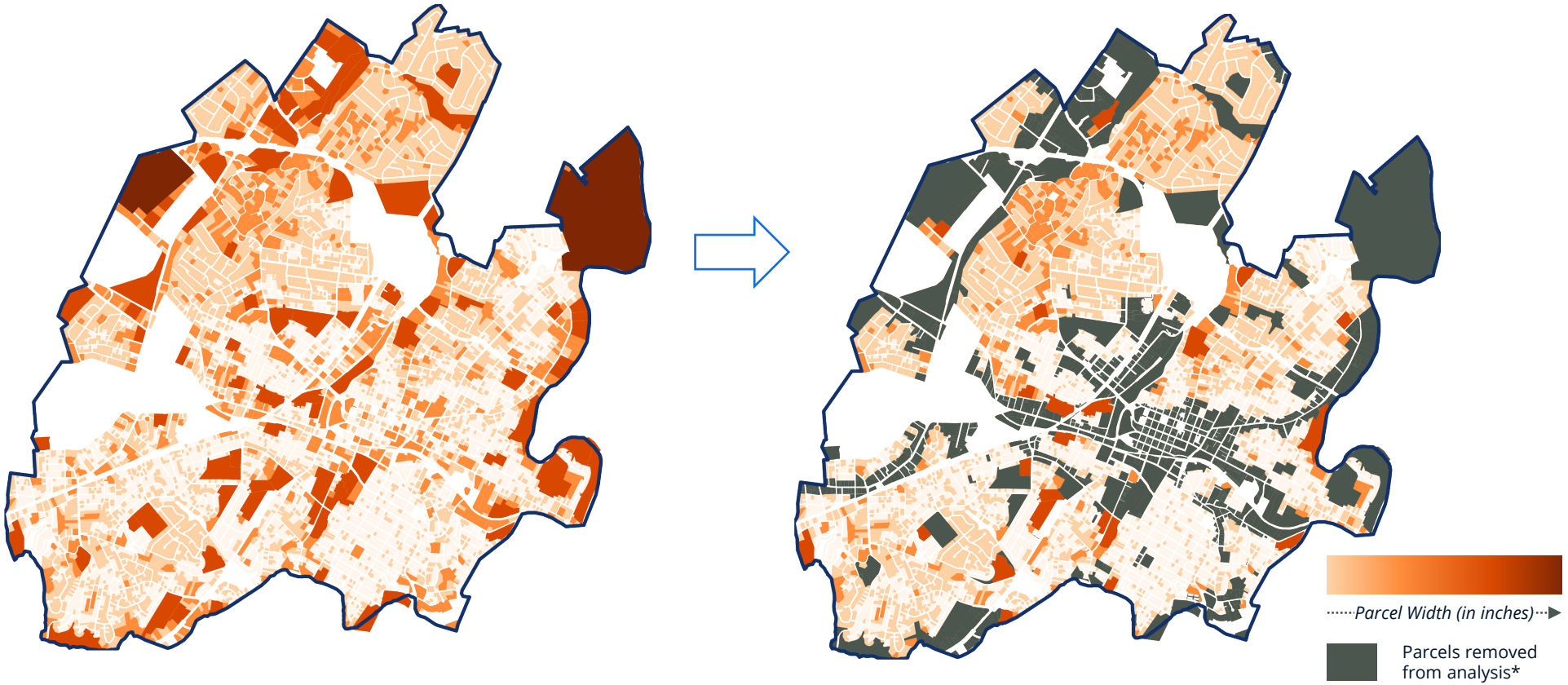
METHODOLOGY

The team first determined existing lot widths of each parcel within the city. Lot width is a major factor in determining whether more units can be accommodated on-site.



METHODOLOGY

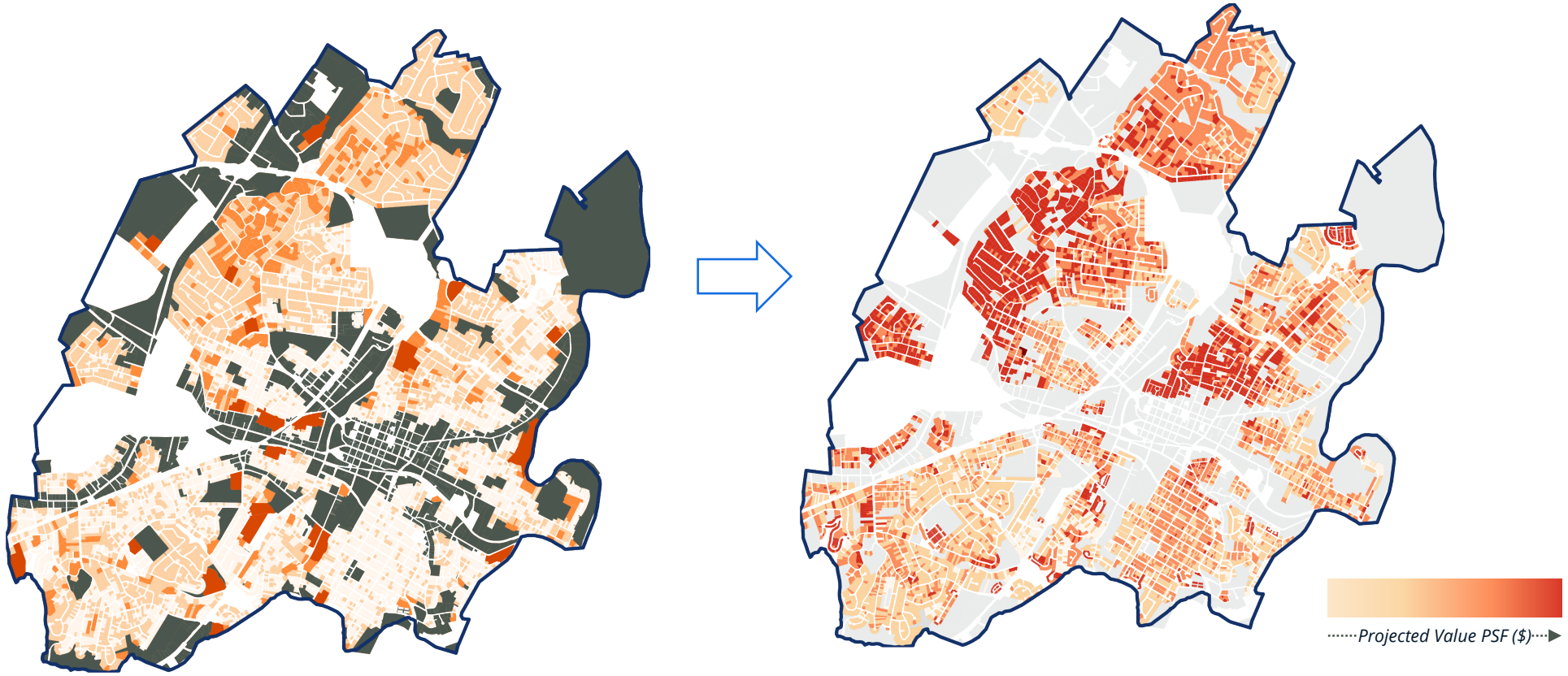
The team filtered only parcels that are general residential and medium intensity, as defined by the City's Future Land Use Map (FLUM).



*The team applied a series of filters to identify relevant residential parcels as defined by the City's Future Land Use Map (FLUM). The image above is intended to be illustrative, not to show all filtered parcels.

METHODOLOGY

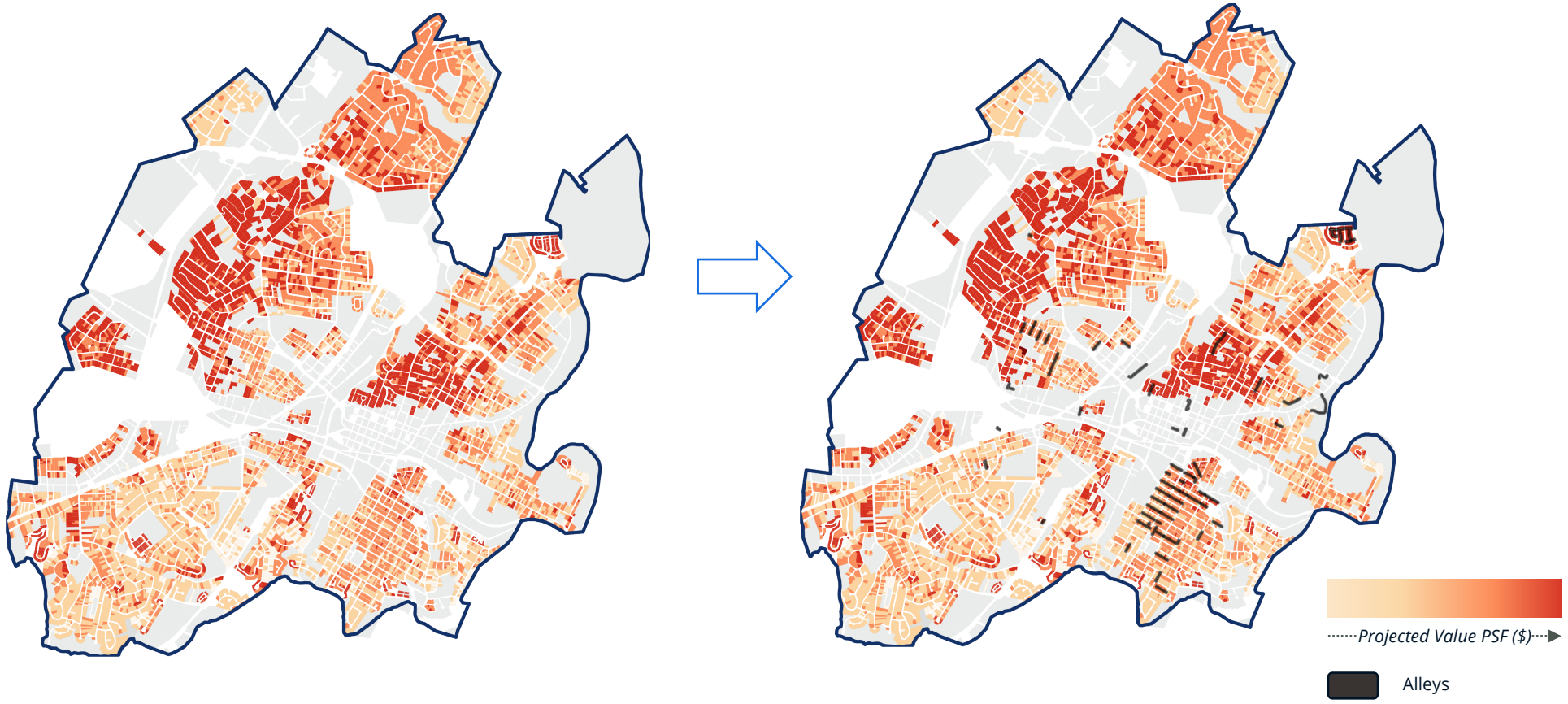
Using Zillow, Co-Star, and existing appraisal values, the team assigned estimated sales prices and rents for each parcel in general residential and medium intensity areas.



The team applied a series of filters to identify relevant residential parcels as defined by the City's Future Land Use Map (FLUM). The images above are intended to be illustrative, not to show all filtered parcels.

METHODOLOGY

Alleys were overlayed to identify parcels with rear vehicle access.

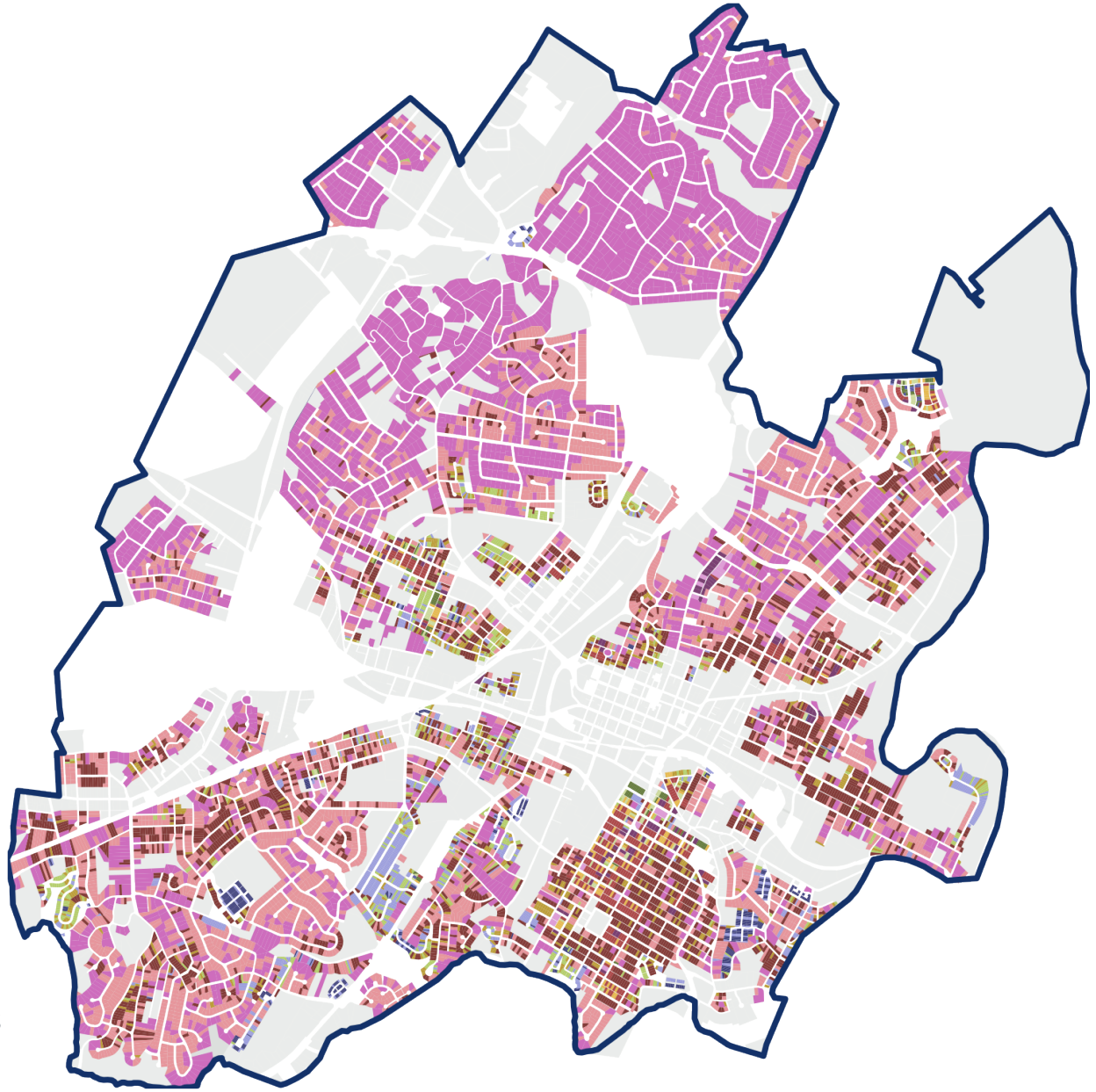


The team applied a series of filters to identify relevant residential parcels as defined by the City's Future Land Use Map (FLUM). The images above are intended to be illustrative, not to show all filtered parcels.

METHODOLOGY

Using both width and alley access, each parcel was assigned one of fourteen categories.

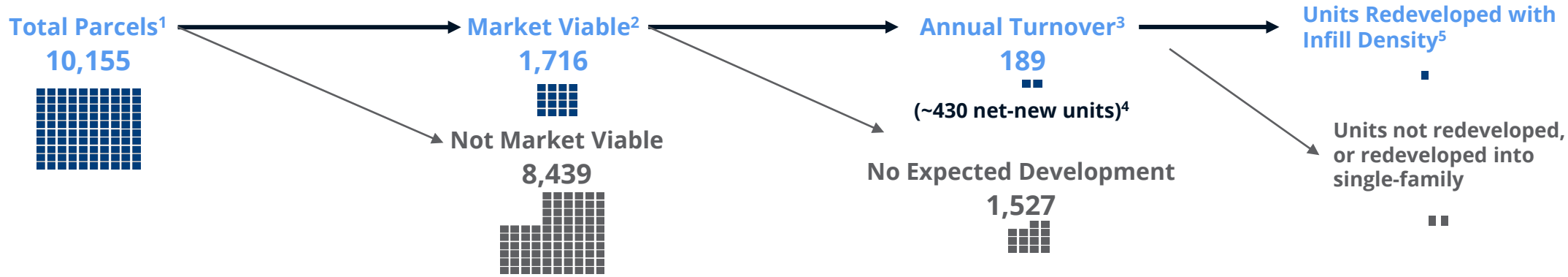
	Access	Width	Tot. Parcels
I	Front	<29’	517
II	Rear / Side		23
III	Front	29’-39’	976
IV	Rear / Side		78
V	Front	39’-44’	621
VI	Rear / Side		66
VII	Front	45’-49’	660
VIII	Rear / Side		106
IX	Front	49’-59’	2,469
X	Rear / Side		289
XI	Front	59’-79’	3,405
XII	Rear / Side		66
XIII	Front	79’+	2,331
XIV	Rear / Side		21



The team applied a series of filters to identify relevant residential parcels as defined by the City's Future Land Use Map (FLUM). The images above are intended to be illustrative, not to show all filtered parcels.

INITIAL FINDINGS

Of the more than 10,000 parcels in the study area, less than 2% would turn over and be market viable for redevelopment. Of this subset, an even smaller portion is likely to be redeveloped.



1. Total single-family homes within the study area. This includes areas identified in Future Land Use Map as general residential and medium intensity. There may be special considerations in sensitive community areas, subject to the City's determination of the boundaries of these areas.

2. All homes in general residential and medium intensity areas for which a redevelopment typology provides a market-competitive return.

3. Total single-family homes sold annually where redevelopment is competitive that are expected to be sold, based on average turn over in the Charlottesville market between 2019-2021.

4. If all of the market viable parcels that are expected to be turned over are redeveloped, this is the total net-new units that would be delivered to the market. Net new units refers to the total number of new units delivered, less the number of single-family homes that were redeveloped to build the new units.

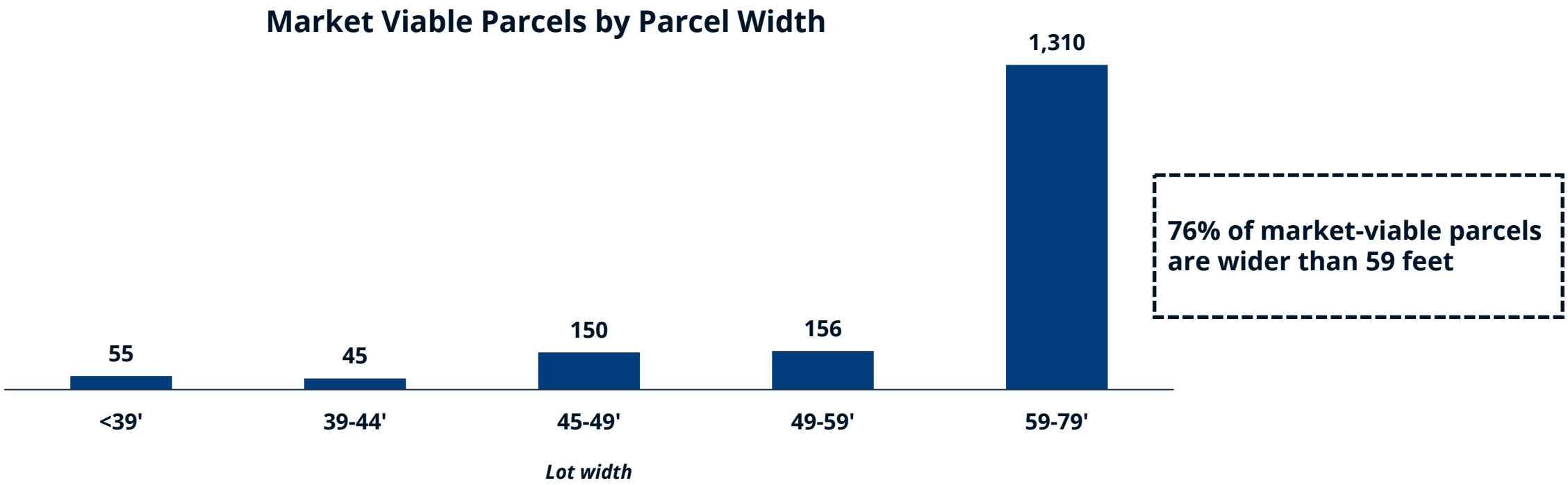
5. Even though redevelopment may be the market-optimal outcome, many new buyers will not redevelop these homes based on a variety of reasons including:

- Personal preference for the existing single-family homes;
- Lack of developer capacity or financing to construct infill development;
- Physical, environmental and other site-specific constraints.

As a result of these factors, most cities that have increased density for single family residential areas have seen a low share of market viable parcels redeveloped.

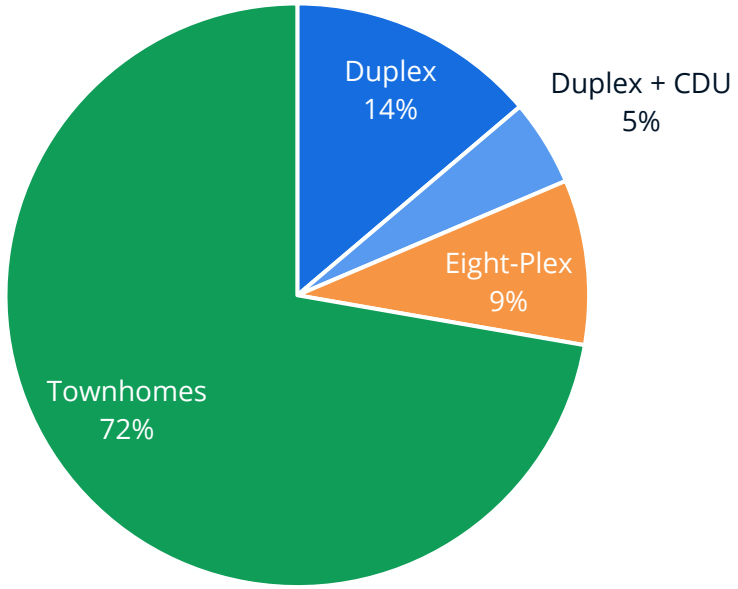
INITIAL FINDINGS

As wider parcels have more development typologies available to them, most market-viable parcels are those that are wider than 59 feet.



* Net new units equals total new units less single-family homes redeveloped.

Given their market premium and ease of construction, townhomes are the most likely infill typology expected to be delivered to the market.



Lot Width	Expected Projects	Expected Units	Share
Duplex	26	52	14%
Duplex + Cottage Dwelling Unit (CDU)	9	27	5%
Eight-Plex	17	138	9%
Townhomes	136	402	72%

* Net new units equals total new units less single-family homes redeveloped.

MODEL CONSIDERATIONS

The estimated rate of change for general residential and medium intensity areas is based on a simplified model of parcels within the study area. Key limitations to this model include:

- Market viability was determined by a residual land-value calculation for each parcel for each of the allowed typologies and maximized for developer yield. Buyer preferences that did not maximize financial yield were not considered.
- The only parcel-specific considerations for each calculation was the **parcel width**, location **rents/prices**, **right-of-way access**, and **total parcel area**. Other site-specific conditions such as terrain, tree cover, easements, etc. were not considered and likely will reduce overall project viability.
- The model only evaluates the supply-side considerations of development, assuming that in the short-term (< 3 years) latent demand will be able to absorb all new units delivered. As more infill is developed, easing demand may change project viability.
- The development ecosystem (developers, architecture, engineering, availability of financing) and expertise for infill development often lags the market demand and regulatory viability for these products. There will be a lag between when infill development is permitted and when actual redevelopment occurs.
- Each of these limitations will lead the model to error on the side of over-estimating the number of units that will be developed. **The results of the model should be considered the upward bound of production in the medium-term (~5 years).**

AFFORDABILITY FINDINGS

- The model assumes that all property owners of lots zoned for only a single unit today will be able to redevelop their properties "by-right," meaning the zoning would permit redevelopment without any additional legislative action.

- If the City requires an affordable unit as soon as a project exceeds one unit (i.e., the first additional unit must be affordable), very few, if any, parcels in the city would be developed unless there is public subsidy.

- The affordability incentives applied to high intensity residential areas (parking, additional density) do **not** provide sufficient financial benefit to make new affordable units financially viable in general residential and medium intensity areas.

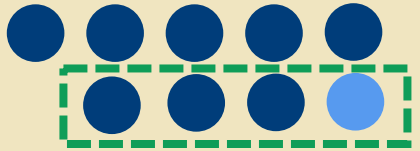
KEY RECOMMENDATIONS

- Based on our analysis, Charlottesville medium intensity areas can support a policy requiring **one affordable unit (@60% AMI) for every nine units of** market rate with proper incentives. As a result, we recommend establishing a requirement that **10% of the units in any development of 10 or more be affordable**.

- **For developments of 9 units or less, we recommend increasing the cap on developable units by 2 units in General Residential and 4 units in Medium Intensity,** as long as the development does not exceed 9 units including bonus. This will allow the development of more affordable housing when there is no public or philanthropic subsidy to cover the gap between the cost to develop and an affordable price or rent.

MEDIUM INTENSITY RESIDENTIAL EXAMPLE

9-unit Voluntary Inclusionary Development



Density Bonus

GENERAL RESIDENTIAL EXAMPLE

5-unit Voluntary Inclusionary Development

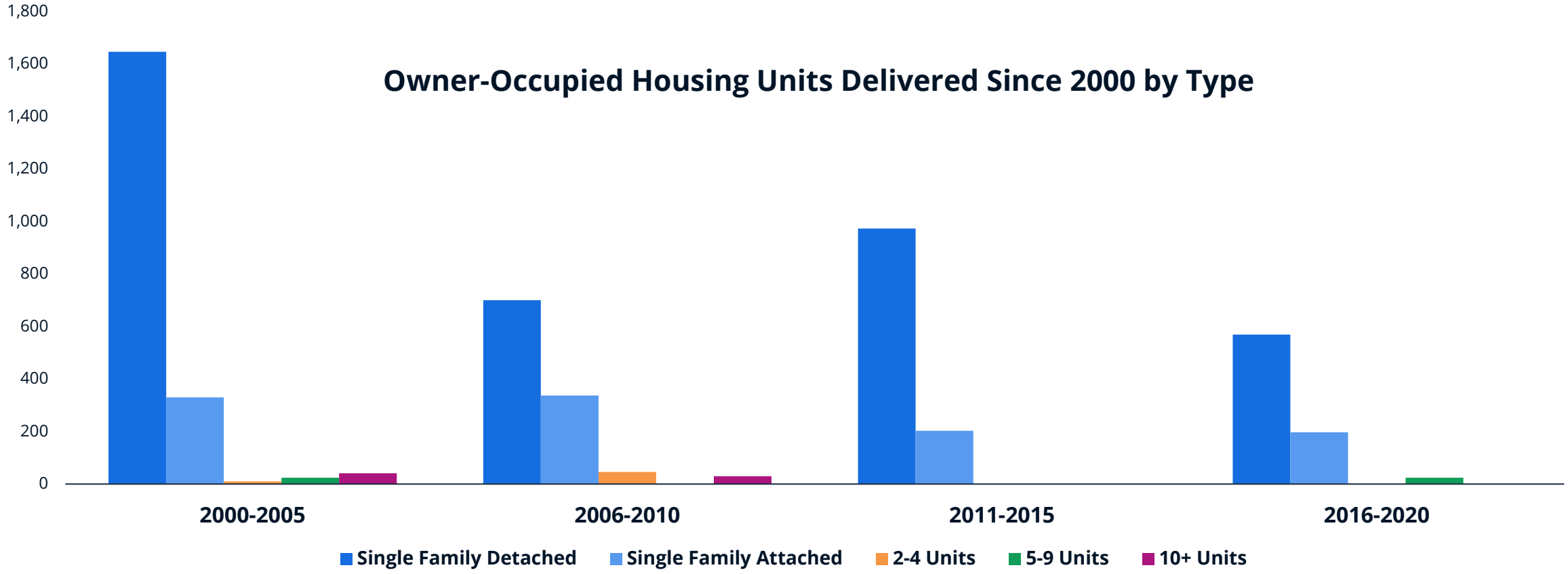
Density Bonus

Unit affordable at 60% AMI

Market Rate Unit

KEY RECOMMENDATIONS

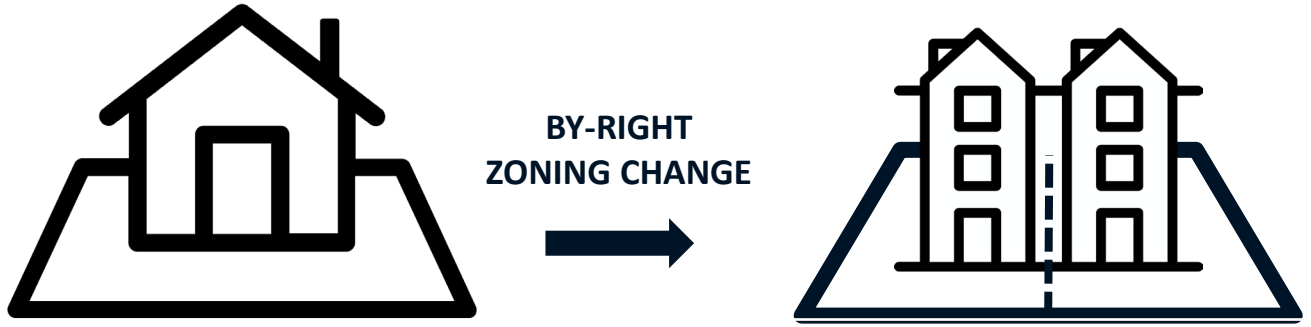
Since 2000, most of the owner-occupied housing stock delivered in Charlottesville has been comprised of single-family detached products, with limited new “missing-middle” housing offerings.



Source: HR&A analysis of PUMS Microdata; ACS PUMS 5-Year Survey (2020)

KEY RECOMMENDATIONS

If lots zoned for only a single unit today can be redeveloped or renovated for additional units by-right city-wide, it will have the effect of **creating affordable homeownership opportunities that are more affordable and do not rely on subsidy.**



	Single-Family Detached	Infill Townhouse
Cost to Purchase	$600K	$375-450K
Minimum Household Income	$140,000+	$85,000-100,000
Household AMI Level	120%+ AMI	80-90% AMI
Monthly Mortgage[1]	$4,000+	$2,400-2,700

[1] The mortgage payment includes, principal interest, insurance and taxes. It assumes a 10% down payment, and an interest rate of 6%
Sources: CoStar, HUD Income Limits, Developer Interviews, Zillow, Freddie Mac Private Mortgage Market Survey

Area Median Income (AMI) information can be found in the Appendix (page 52)

04

Appendix

CHARLOTTESVILLE AMI AND HOUSING AFFORDABILITY

City of Charlottesville Area Median Income (AMI) 2021

Category	1 person	2 person	3 person	4 person
30% AMI	$19,680	$22,500	$25,320	$28,110
50% AMI	$32,800	$37,500	$42,200	$46,850
60% AMI	$39,360	$45,000	$50,640	$56,220
80% AMI	$52,480	$60,000	$67,520	$74,960
100% AMI	$65,590	$74,960	$84,330	**$93,700**

Maximum Affordable Rents

Category	Studio	1-BR	2-BR	3-BR	4-BR
30% AMI	$468	$530	$592	$652	$695
50% AMI	$796	$905	$1,014	$1,120	$1,201
60% AMI	$960	$1,092	$1,225	$1,355	$1,454
80% AMI	$1,288	$1,467	$1,647	$1,823	$1,960
100% AMI	$1,616	$1,841	$2,067	$2,292	$2,466

Assumes tenants pay up to 30% of income; less utility allowances

Maximum Monthly Mortgage

Category	Studio	1-BR	2-BR	3-BR	4-BR
30% AMI	$341	$380	$496	$604	$697
50% AMI	$702	$767	$961	$1,140	$1,295
60% AMI	$882	$960	$1,193	$1,408	$1,594
80% AMI	$1,243	$1,347	$1,657	$1,944	$2,191
100% AMI	$1,604	$1,733	$2,119	$2,480	$2,789

The mortgage payment includes, principal interest, insurance and taxes. It assumes a 10% down payment, and an interest rate of 6%